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SUBJECT: SCENESSETTER FOR THE JULY 31 VISIT OF SECRETARIES
RICE AND GATES TO SHARM EL SHEIKH

Classified By: Ambassador Francis J. Ricciardone
for reasons 1.4 (a), (b), and (d)

11. (C) The Egyptians welcome the joint visit of the
Secretaries of State and Defense as a clear signal of mutual

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recognition of shared strategic interests, despite recent highly publicized bilateral tensions. President Mubarak and ministers Aboul Gheit, Tantawi, and Soliman, expect the focus of the bilateral sessions to be on restarting the Israeli-Palestinian peace process, and Iraq. They are also keenly interested in U.S. intentions towards Iran, and we can exploit the bilats to press on Sudan. We should also remind the Egyptians that we want them to approach democratic political reform as a positive and enduring element in our relations, and neither a cause for antagonism nor a passing USG interest that they can successfully outwait. At the "Gulf Cooperation Council Plus Two" meeting, the Egyptians will work with us constructively, though typically with scant initiative, on addressing the Israeli-Palestinian conflict, Iraq, Lebanon, terror, and weapons of mass destruction.

THE PALESTINIAN PROBLEM

12. (S) The Egyptians are eager to see a re-energizing of the peace process. In public, they reacted moderately positively to the President's July 16 speech, though in private they say they see little new in it. The instability of Gaza continues to vex the Egyptians. Hamas' June takeover of Gaza has now left the GoE and Hamas face to face on the Philadelphi corridor. The Egyptians have told us repeatedly that they do not seek immediate Hamas-Palestinian Authority rapprochement, but they do see this as ultimately necessary -- after first "squeezing" Hamas. The GoE evidently has maintained limited contact with Hamas, not so much to seek Palestinian reconciliation as to avoid clashes on the border, and to keep Egypt involved as "a player."

13. (S) The Egyptians deeply resent Israeli complaints that Egypt either cannot or will not stop smuggling into Gaza, even as the Treaty of Peace precludes Egypt from stationing military forces on the border. As we and the Israelis have stepped up the pressure on this issue, the MoD has begun more emphatically to assert a need to "revisit" with the Israelis the terms of the 28-year-old Treaty. They also have invited any Americans who will take the trouble to observe first hand their efforts at combating smuggling along the Philadelphi corridor. Two Congressional delegations have visited Rafah recently. The Egyptians continue to communicate with the Israelis through EGIS and military channels in their efforts to find and destroy smuggling tunnels. We have urged them to

maximize the amount of Border Guard Forces allowed per GoI-GoE agreements, including in "Zone B," and to use these increases to support their mission along Philadelphi. We also have informed them of Israeli interest in increasing the channels of communication at the border, to include civilian security services.

14. (C) The closure of the Rafah crossing since June 9 has stranded thousands of Gazans in Egypt. The GoE, GoI, and PA, with our support, appear to have reached high-level political agreement on July 22 to allow the Gazans to return via Israel, but this process has not yet started on the ground.

IRAQ

15. (S) Constantly in private and occasionally in public, Mubarak and Aboul Gheit continue to stress that a precipitous U.S. withdrawal from Iraq would be a "double" disaster. Mubarak has led Arab political engagement with the Iraqi government. Since receiving PM Maliki in April and hosting him again at the Iraq Neighbors Conference in Sharm in early May, Mubarak has received Iraqi (Sunni) VP Hashemi in June, and this month Egypt has hosted U.S.-sponsored training sessions for Iraqi technocrats. The GoE views as further evidence of GoI incompetence the fact that the GoI has not responded to repeated GoE urging to nominate an Iraqi ambassador to Cairo. While welcoming the visits of PM Maliki and his predecessor, as well as president Talabani, FM Zebari, and NSA Rubaei, the GoE also maintains discreet and limited contacts with legitimate non-violent Iraqi opposition figures, notably Ayad al-Allawy and Adnan Pachachi. Mubarak frankly expects the Maliki government to fail, and continues to see a "strong but fair" leader as the most urgent requirement for Iraqi stability. Egypt has scored some successes against the flow of foreign fighters into Iraq, but transit to Iraq through Syria (which does not require visas

CAIRO 00002280 002 OF 003

for Arab citizens) remains a problem. Foreign Ministry contacts have told us the "GCC Plus Two" participants are in wait-and-see mode in expectation of General Petraeus' September report.

POLITICAL MILITARY RELATIONSHIP

16. (C) We have two vital security interests with Egypt: its peace with Israel, and unfettered U.S. military access to the Suez Canal and Egyptian airspace, including ground-based support for USAF operations. The Egyptian political and military leadership has long controlled and guaranteed both of these U.S. interests, despite negative popular attitudes. The GoE has made it clear that they directly link our FMF assistance to their protection of our strategic interests here. Egyptian leaders have continued to express their ire at the recent congressional effort to place conditions on FMF, arguing that any reduction would send a powerfully negative message "to the Egyptian people" that the U.S. is reconsidering the strategic basis of the relationship, rooted in Camp David.

17. (C) The GoE should work with us to strengthen and update the military relationship within the context of explicit shared interests, such as the global war on terrorism, border security, and PKOs. In addition, we should be clear that Egyptian democracy and human rights issues are enduring, core American interests and will remain significant factors in the FMF assistance debate. Our reduction of Bright Star to a table-top exercise sharply disappointed the MoD, but they now appear accurately to have grasped the reasons for this. More recently, the Egyptians came through with emergency ammunition for Lebanon, ultimately reducing their initially inflated prices to fair levels. A few words of thanks to Tantawi from SecDef would help us the next time we turn to MoD for such help.

IRAN

18. (C) Mubarak's long-standing suspicion of "Shiite" Iranian machinations is unabated, not least because he knows the general Egyptian populace is historically and theologically "soft on Shiism." Hamas' ascendancy in Gaza has only increased GoE leadership concerns about the need to counter Iranian influence over Hamas, particularly due to Hamas' links with the Egyptian Muslim Brotherhood and Gazan family ties to the Bedouin in Sinai. President Mubarak and his national security team will seek a readout of our intentions on Iran. They have told us outright that they suspect we are setting the stage for a military strike against Iran.

SUDAN

19. (C) Although Egyptian officials will say that Sudanese president Bashir's acceptance of the hybrid force obviates the need for further pressure, we should nonetheless push them to press Bashir on accepting UN command and control and a full Chapter VII mandate for the hybrid force in a UNSCR currently under discussion. Egypt's primary concern continues to be the stability and territorial integrity of its southern neighbor, and Aboul Gheit has praised UN/AU initiatives to bring together Darfur Peace Agreement non-signatories as showing that the international community is united in pressing all parties for peace. Increasing confrontations between Egyptian security forces and Sudanese refugees being smuggled into Israel have occurred recently, resulting in the deaths of several refugees. The MFA has denied the GoI's claim, widely reported in the Israeli media, that Mubarak "agreed" with Olmert in Sharm in late June not to refoule Sudanese refugees, should Israel deport them to Egypt.

DOMESTIC POLITICS

10. (S) Egypt's domestic political situation has reverted to stagnation, as the country fatalistically awaits Mubarak's departure. Economic growth continues, but the poorest Egyptians have yet to benefit proportionately to their numbers. Prices continue to rise, and the freer media environment gives greater salience to populist opposition to continuing, though slower, privatization of public companies and banks. Labor has also protested salary delays and perceived threats of layoffs, with wildcat strikes and occupation of factories -- another political phenomenon given greater impact by a freer media. The GOE's campaign of arrests and intimidation of the Muslim Brotherhood resulted

CAIRO 00002280 003 OF 003

in the MB's "independent" candidates winning none of the seats in the June 11 Shura Council (upper house) elections, which were dominated by candidates from Mubarak's ruling National Democratic party. The GoE continues to use a military tribunal to prosecute 40 MB activists on money laundering and related charges.

DEMOCRACY

11. (C) Elements of the GoE-controlled press attacked democracy activist Saad Eddin Ibrahim for his participation in a late May meeting on Arab democracy in Doha, as well as his attendance at a June 6 meeting with President Bush in Prague. Ibrahim is traveling outside Egypt. NDP legislators and pro-GoE writers have called for his arrest and trial on treason charges upon his return, but Mubarak and Aboul Gheit have assured the Ambassador, albeit back-handedly, that Ibrahim and other such dissidents, whose cases we have pressed, have "nothing to fear." We have also raised with Mubarak, PM Nazif, and Aboul Gheit the arrests and harassment by GoE security services of several religious activists. USAID continues to fund a robust range of democracy programs with Egyptian civil society, but we expect continued GoE controls and outright pressure on NGOs. We maintain close contacts with Gameela Ismail, wife of Ayman Nour, who tells us that she is hopeful that Nour's request for a health-based

parole will be granted on July 31. We detect no change in
the GOE's stance on Nour.

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